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RECENT TRENDS IN PATENT INFRINGEMENT LAWSUITS

LEADING LAWYERS ON UNDERSTANDING RECENT CASES
AND CONSTRUCTING EFFECTIVE DEFENSE STRATEGIES

2011 EDITION



ASPATORE

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Inducement of Patent
Infringement: The Intent
Standard and Circumstantial
Evidence of Intent

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INTRODUCTION

The doctrine of inducement of infringement can be a powerful tool for patent holders. Unlike direct infringement, which is asserted only against entities actually infringing a patent, inducement can be asserted against anyone who arguably facilitates infringement. Furthermore, because an inducer is liable for any direct infringement it causes, a patent holder can recover full damages from the inducer without suing direct infringers. Consequently, the inducement doctrine considerably expands the range of potential defendants to an infringement suit and can shift damages amongst those defendants.

The inducement doctrine reflects the basic moral and legal principle that those who assist bad acts by others should be liable for those acts. The doctrine also plays an important practical role in safeguarding a patent holder's rights. It can prevent infringement from going effectively unpunished, such as when an inducer profits from the actions of numerous direct infringers who may be effectively immune from suit. The doctrine also reaches individuals who profit from infringement, such as the owners or officers of corporations, without the difficult process of piercing the corporate veil. *See e.g., Manville Sales Corp. v. Paramount Systems Inc.*, 917 F.2d 544, 553 (Fed. Cir. 1990) (“corporate officers who actively assist with their corporation’s infringement may be personally liable for inducing infringement regardless of whether the circumstances are such that a court should disregard the corporate entity and pierce the corporate veil”).

But if the inducement doctrine is a useful deterrent, it is also potentially subject to abuse. The statutory definition of inducement is brief in form but sweeping in scope: “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b). Unlike the related doctrine of contributory infringement, which is limited to defendants who sell products that have no reasonable non-infringing use, 35 U.S.C. § 271(c), there is no statutory restriction on what can constitute inducement—no limit on the types of allegedly inducing activities and no restriction on the degree to which those activities must facilitate infringement. As a result, a wide variety of activities, all perfectly legal in and of themselves, can be characterized as inducement. Coupled with the greater range of potential defendants, the substantive flexibility of the inducement doctrine could be

used opportunistically, to shift liability to parties that should not, in fairness, bear the price of infringement perpetrated by others.

Accordingly, the apparent breadth of the inducement provision should be tempered to prevent its abuse. Although the statutory definition does not restrict the scope of activities actionable as inducement, it does imply an important limit. Inducement liability is limited to those who “actively” induce infringement, and that implies an intent requirement. Requiring that a patent holder prove that the alleged inducer actually intended to cause infringement still permits a variety of acts to be actionable as inducement, but prevents abuse of that flexibility by allowing recovery only for acts undertaken with some degree of knowledge by alleged inducer. Because the inducement statute is otherwise so broad, a meaningful and coherent intent requirement is vital in striking the proper balance between upholding the rights of patent holders and protecting defendants from pretextual claims of inducement.

Unfortunately, the current state of Federal Circuit jurisprudence concerning the level of intent required for inducement is anything but coherent. The first part of this chapter examines the evolution of this confusion in detail, beginning with a seemingly clear Supreme Court case, *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 U.S. 913 (2005) (*Grokster*), whose outcome was premised expressly on the conclusion that actual intent is required for inducement of patent infringement. Shortly after *Grokster*, however, the Federal Circuit decided *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293 (Fed. Cir. 2006), a patent case in which an implausible argument by the plaintiff provoked the court into issuing an *en banc* opinion that purported to clarify the intent standard for inducement, but ended up having precisely the opposite effect. Even as the *DSU* decision repeatedly referenced both *Grokster* and a specific intent standard, it quoted prominently from a single prior Federal Circuit case that articulated a negligence-type “should have known” standard for inducement. To make matters even more confusing, the *DSU* opinion equates the specific intent and “should have known” standards.

The effect of *DSU* was to blur the Federal Circuit law on intent, rather than clarify it. Some subsequent cases reference a specific intent standard, others mention a negligence-type “should have known” standard, and still others

continue the curious practice of explicitly equating the two. This doctrinal confusion culminated in the recent case of *SEB S.A. v. Montgomery Ward & Co. Inc.*, 594 F.3d 1360 (Fed. Cir. 2010), in which the Federal Circuit decided that a defendant who undisputedly did not know of the existence of a patent was nonetheless held liable for intentionally inducing its infringement. To justify this extraordinary result, the *SEB* court announced that it was applying a specific intent standard (which the court nevertheless articulated using negligence-type “should have known” language), but held that defendant possessed specific intent because it showed “deliberate indifference of a known risk” of infringement. *Id.* at 1377. This seemingly illogical holding attracted the attention of the Supreme Court, which agreed to hear the case specifically for the purpose of deciding whether the Federal Circuit’s intent standard was consistent with *Grokster*’s requirement of “purposeful, culpable” conduct. *See Global-Tech Appliances Inc. v. SEB S.A.*, No. 10-6, 2010 WL 2629783 (Oct. 12, 2010) (granting petition for *certiorari*).

Even if the Supreme Court makes clear, as it should, that the proper standard for inducement is specific intent to cause infringing acts, the ability of such a standard to protect defendants from opportunistic lawsuits will depend greatly on the evidence admissible to show intent. The second part of this chapter examines one aspect of that complex question. Because direct evidence of intent is likely to be rare, requiring such evidence would substantially weaken the inducement doctrine. As a result, the courts have consistently permitted the use of circumstantial evidence of intent to induce infringement. Unfortunately, the Federal Circuit has made little effort to police the use of such circumstantial evidence.

Thus, even in the post-*DSU* confusion over the proper intent standard, the Federal Circuit has held consistently that mere intent to cause certain acts—as opposed to causing those acts with the knowledge that they will infringe—is insufficient. Yet paradoxically, the court has allowed plaintiffs to rely on evidence of a defendant’s intent to cause acts that plaintiffs had *alleged* to be infringing, without considering whether the defendant had a reasonable basis at the time for believing the relevant patent was not infringed or invalid. In other words, the Federal Circuit has allowed plaintiffs to leverage a subsequent infringement determination into hindsight proof that the defendant was intentionally inducing the infringement all along. This chapter suggests that the inherent complexity

and indeterminacy of patent law is incompatible with such a simplistic evidentiary framework, and that there should be explicit recognition of that complexity in deciding inducement cases. Indeed, the current law of willful direct infringement suggests a potentially beneficial step—explicitly requiring objective consideration of the strength of the defendant’s non-infringement and validity defenses in determining the defendant’s intent.

STATUTORY BACKGROUND

Statutory Definitions of Infringement

Section 271 of the Patent Act¹ sets forth three different degrees of patent infringement, often referred to as direct infringement, inducement, and contributory infringement. Direct infringement is defined in Section 271(a), which provides that “whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term thereof, infringes the patent.” 35 U.S.C. § 271(a). To directly infringe a patent, the defendant must herself make, use, sell, offer to sell or import a device that contains each and every limitation of a valid patent claim, or must perform a method that contains each and every such limitation. *BMC Resources Inc. v. Paymentech L.P.*, 498 F.3d 1373, 1378-79 (Fed. Cir. 2007).

As noted earlier, Section 271(b) defines inducement in a brief sentence: “Whoever actively induces infringement of a patent shall be liable as an infringer.” 35 U.S.C. § 271(b). The statute does not elaborate on what sorts of acts could constitute inducement or on the degree to which those acts must lead to infringement to be actionable. Notably, however, Section 271(b) explicitly requires that the accused indirect infringer “actively” induce the infringement.

Finally, Section 271(c) defines contributory infringement. In contrast to inducement, the elements of contributory infringement are defined in greater detail: selling, offering to sell or importing a “material” component of a patented article or method “knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a

¹ 35 U.S.C. § 271(a) et. seq.

staple article or commodity of commerce suitable for substantial noninfringing use.” 35 U.S.C. § 271(c). Conceptually, contributory infringement can be thought of as a narrow and special case of inducement, where the act that induces the direct infringement is limited to importation or actual/attempted sale of a non-staple item, done with knowledge that this item has no other substantial use except as a material part of a patented device or method.

To distinguish them from direct infringement, inducement and contributory infringement are collectively referred to as “indirect” infringement. Although the Patent Act does not explicitly require that indirect infringement actually cause direct infringement, the courts have held that the existence of direct infringement is a necessary prerequisite to an action for indirect infringement. *See Dynacore Holdings Corp. v. U.S. Phillips Corp.*, 363 F.3d 1263, 1274-75 (Fed. Cir. 2004). Thus, there can be no liability for unconsummated or unsuccessful attempts to induce or contribute to infringement. A plaintiff must wait until that direct infringement occurs before proceeding against indirect infringers, and must tie the alleged acts of indirect infringement to specific acts of direct infringement. *Id.* at 1275. If a patent holder does so, however, she is able to recover all damages for that infringement from indirect infringers; liability for infringement is joint and several. *Glenayre Elecs. Inc. v. Jackson*, 443 F.3d 851, [872] (Fed. Cir. 2006).

Intent and the Inducement Provision

The inducement provision, Section 271(b), first appeared in the Patent Act of 1952. Although the word “intent” does not appear in Section 271(b), the legislative history suggests that Section 271(b) was designed to reflect common law “aiding and abetting” liability, which does require intent. S. Rep. No. 1979, 82d Cong., 2d Sess. 8, 28, reprinted in 1952 U.S.C.C.A.N. 2394, 2402, 2421. The statute uses the words “*actively* induces infringement,” which strongly suggests that some degree of awareness and purpose is required. Indeed, a primary drafter of the Patent Act, Judge Rich, observed at the time of enactment that, “in proving a case under (b) the evidence must establish active inducement and that involves intent.” Giles S. Rich, *Infringement Under Section 271 of the Patent Act of 1952*, 21 *Geo. Wash. L. Rev.* 521, 537 (1953).

The statute only implicitly requires that an inducer act with intent and is, unsurprisingly, silent as to the degree of required intent, leaving that question to the courts. Because the inducement provision is otherwise so broad, much rides on what level of intent suffices for inducement. The state of mind requirement shapes the nature of the proof offered, the arguments available to both plaintiff and defendant, and ultimately the scope of liability and the balance between patent holders and alleged inducers. Surprisingly, the Federal Circuit did not attempt to provide a definitive answer to this question until nearly a quarter-century after its founding. Yet when it finally did so in the *DSU* case, it produced an opinion that confusingly blended the specific intent and negligence standards—despite a recent Supreme Court decision, *Grokster*, that clearly upheld a specific intent standard. This chapter turns to a detailed examination of those cases and their effect on inducement law.

THE RECENT EVOLUTION OF THE INTENT STANDARD

The Supreme Court's Decision in Grokster

The Supreme Court decided the closely watched case of *Grokster* in 2005. Although *Grokster* involved induced copyright infringement only, it is highly important to patent law because the Court's analysis was based entirely on its view of the intent standards for indirect patent infringement.

In *Grokster*, the defendant companies distributed software that permitted computer users to share their files directly with each other. 545 U.S. at 919-20. Because many of those files consisted of copyrighted music and video—the sharing of which was unquestionably infringement—a group of copyright owners sued the defendants for inducement. *Id.* at 920-21. The defendants conceded that they were generally aware that most of the file sharing aided by their software resulted in copyright infringement. *Id.* at 923. However, the defendants contended that they were not liable because their software had various non-infringing uses. *Id.* at 922-23.

To support their defense, the *Grokster* defendants relied on the prior case of *Sony Corp. of America v. Universal City Studios Inc.*, 464 U.S. 417 (1984), in which copyright owners sued Sony, a VCR manufacturer, for inducing copyright infringement with sales of its VCRs. *Id.* at 931. Even though

some buyers could and did use the VCR to infringe copyrights on video material, the Supreme Court declined to hold Sony liable. Instead, the Court found that VCRs had substantial non-infringing uses. Significantly, it held that taping a television program for later viewing constituted fair use and that the existence of those non-infringing uses defeated liability. *Id.* at 931-32. The defendants in *Grokster* argued that they were similarly situated: although they knew their software could be used to copy copyrighted music and videos, their software also had non-infringing uses. *Id.* at 922-23. This argument essentially prevailed in both the district court on summary judgment and the Ninth Circuit on appeal. *Id.* at 927-28.

The Supreme Court reversed. Even though *Grokster* involved copyright law only, the Court's analysis focused heavily on patent law. The Court linked these two branches of intellectual property law because of a statutory gap in copyright law. As the Court observed in *Grokster*, "[t]he Copyright Act does not expressly render anyone liable for infringement committed by another." *Id.* at 930 (quoting *Sony Corp.*, 464 U.S. at 434). Nevertheless, the Court noted that in the copyright sphere, "doctrines of secondary liability emerged from common law principles and are well established in the law." *Id.* In the Court's view, the *same* common law principles had served as the basis for secondary liability in patent law, where they were later codified in the patent statute. Accordingly, the Court justified its prior decision in *Sony* and its decision in *Grokster* by articulating its view of indirect infringement in patent law, and then applying the resulting doctrine to copyright law.²

The Court began by explaining that its analysis in *Sony* was borrowed from the patent law doctrine of contributory infringement:

This analysis [in *Sony*] reflected patent law's traditional staple article of commerce doctrine, now codified, that distribution of a component of a patented device will not violate the patent if it is suitable for use in other ways. The

² Importantly, the doctrinal parallels between patent and copyright law do not extend to nomenclature. As noted earlier, contributory infringement in patent law is a narrowly defined species of inducement, codified at 35 U.S.C. § 271(c), focusing on non-staple items that have no non-infringing uses. By contrast, as the *Grokster* opinion indicates, contributory infringement in copyright law refers to the concept of inducement generally: "[o]ne infringes contributorily by intentionally inducing or encouraging direct infringement." *Grokster*, 545 U.S. at 930.

doctrine was devised to identify instances in which it may be presumed from distribution of an article in commerce that the distributor intended the article to be used to infringe another's patent, and so may justly be held liable for that infringement. "One who makes and sells articles which are only adapted to be used in a patented combination will be presumed to intend the natural consequences of his acts; he will be presumed to intend that they shall be used in the combination of the patent." *Id.* at 932 (quoting *New York Scaffolding Co. v. Whitney*, 224 F. 452, 459 (8th Cir. 1915) (other citations omitted)).

According to the Court, intent in the contributory infringement sphere can be presumed by the fact that a device has no reasonable non-infringing uses. However, if a device does have such uses, the presumption of intent is defeated: "the doctrine absolves the equivocal conduct of selling an item with substantial lawful as well as unlawful uses, and limits liability to instances of more acute fault than the mere understanding that some of one's products will be misused." *Id.* at 932-33.

Under the facts in *Grokster*, however, the Court held that *Sony* did not control and that defendants could be found liable. For the Court, the critical difference was additional evidence of intent beyond mere knowledge by the defendants that their actions were facilitating copyright infringement by others. According to the Court, the record showed the defendants "clearly voiced the objective that recipients use [their software] to download copyrighted works, and each took active steps to encourage infringement." *Id.* at 924. In the Court's eyes, this evidence meant the case was no longer analogous to *Sony*, where the only evidence of actual intent to encourage infringement was defendant's knowledge that VCRs were used for some infringing uses, but the inference of intent was outweighed by the many non-infringing uses of VCRs. *Id.* at 931-32, 934-35.

Accordingly, the Court stated in *Grokster* that "nothing in *Sony* requires courts to ignore evidence of intent if there is such evidence, and the case was never meant to foreclose rules of fault-based liability derived from the common law." *Id.* at 934-35. Here, too, the Court justified its conclusion with reference to patent law. It noted that under the Patent Act, a

defendant who sold a staple article of commerce and therefore could not be liable for contributory infringement could nevertheless be liable for inducement, *id.* at 935 n.10, presumably if the sale otherwise encouraged infringement.

Then, just as it had imported the narrower doctrine of contributory patent infringement into copyright law to decide *Sony*, the Supreme Court imported the broader doctrine of inducement of patent infringement to decide *Grokster*:

For the same reasons that *Sony* took the staple-article doctrine of patent law [i.e., contributory infringement] as a model...the inducement rule, too, is a sensible one for copyright. We adopt it here, holding that one who distributes a device with the object of promoting its use to infringe copyright, as shown *by clear expression or other affirmative steps taken to foster infringement*, is liable for the resulting acts of infringement by third parties. *Id.* at 936-37 (emphasis added).

In so doing, the Court expressly noted that “[t]he rule on inducement of infringement as developed in the early cases is no different today,” footnoting this statement with the observation that “[i]nducement has been codified in patent law.” *Id.* at 936, 936 n.11. The clear implication is that the principles the Court announced in *Grokster* apply with equal force to inducement cases brought under Section 271(b) of the Patent Act.

Thus, the Court conducted a quick survey in *Grokster* of what it took to be the existing law of induced patent infringement. It noted that, “[e]vidence of ‘active steps...taken to encourage direct infringement,’ such as advertising an infringing use or instructing how to engage in an infringing use, show an affirmative intent that the product be used to infringe....” *Id.* at 936 (quoting *Oak Indus Inc. v. Zenith Elecs. Corp.*, 697 F. Supp. 988, 992 (N.D. Ill. 1988)). The Court cited only one Federal Circuit opinion, merely quoting a brief statement from that opinion: “liability for inducement [exists] where one ‘actively and knowingly aid[s] and abet[s] another’s direct infringement.’” 545 U.S. at 936, quoting *Water Tech. Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir. 1988). The Court then cited other cases in which

intent to induce was demonstrated by the following categories of evidence: “demonstrations by sales staff of infringing uses,” see *Fromberg Inc. v. Thornhill*, 315 F.3d 407, 412-13 (5th Cir. 1963); “evidence that defendant ‘demonstrate[d] and recommend[ed] infringing configurations’ of its product,” see *Haworth Inc. v. Herman Miller Inc.*, 37 U.S.P.Q. 1080, 1090 (W.D. Mich. 1994); “use ‘depicted by the defendant in its promotional film and brochures infringes the...patent,’” see *Sims v. Mack Trucks Inc.*, 459 F. Supp. 1198, 1215 (E.D. Pa. 1978). The Court concluded its survey of the common law of induced patent infringement by quoting an influential torts treatise for the proposition that “[t]here is a definite tendency to impose greater responsibility upon a defendant whose conduct intended to do harm, or was morally wrong.” W. Keeton, D. Dobbs, R. Keeton & D. Owen, *Prosser and Keeton on Law of Torts* 37 (5th ed. 1984).

Having articulated its view of inducement in the patent sphere—which heavily emphasized intent—the Court then explicitly imported its conclusions into copyright law. In the process, the Court placed limits on the type of evidence indicative of intent. It stated that “mere knowledge of infringing potential or of *actual* infringing uses would not be enough here to subject a distributor to liability. Nor would ordinary acts incident to product distribution, such as offering customers technical support or product updates, support liability in themselves.” *Grokster*, 545 U.S. at 937 (emphasis added). Instead, the Court held that the inducement rule “premises liability on *purposeful, culpable expression and conduct*.” *Id.* (emphasis added.)

The Court proceeded to vacate the district court’s summary judgment ruling, holding that the defendants could in fact be held liable since there was evidence of intent to induce copyright infringement beyond mere knowledge that users of the defendants’ software were using it to infringe copyrights. In the Court’s view, various actions evinced not just passive knowledge but also an affirmative intent to encourage such infringement. First, the Court noted that the defendants had been aggressively vying for the business of Napster, another online file sharing service with 50 million users (which the Court categorized as “a known source of demand for copyright infringement”). *Id.* at 939. According to the Court, the defendants positioned themselves to capture the extensive infringing file sharing traffic of Napster in the event it was shut down and attempted to broadcast their availability for such purposes to Napster users. *Id.* Evidence of this plan

included promotional materials showing copyrighted songs as one category of information that could be shared, as well as implementing search capabilities for (presumably copyrighted) “Top 40” songs. *Id.* at 924-26. Second, the defendants did not charge for their software but instead relied on an advertising business model dependent on the number of users, which in turn, would vastly increase if users could utilize the software to trade copyrighted material. *Id.* at 926. Finally, even after learning that their services were facilitating infringement, none of the defendants took any steps to prevent users from using their services to share copyrighted material, refusing to work with companies that offered to develop such facilities and actively blocking monitoring of the types of files their users were sharing. *Id.* at 926-27.

For purposes of analyzing subsequent Federal Circuit case law, several aspects of the *Grokster* decision stand out. Most notably, the Court expressly held that without additional evidence of intent, the mere fact that a product could be used in an infringing manner—even if the seller *knew* that its product was being used in an infringing manner—was not enough. It noted that ordinary acts in the course of distribution, such as technical support or product updates are also not enough for liability. Instead, the Court held that liability must be grounded in “clear expression or other affirmative steps taken to foster infringement;” “actively and knowingly aiding and abetting another’s direct infringement;” in short, on “purposeful, culpable expression and conduct.” *Id.* at 936, 937. Finally, the Court explicitly based its analysis on its reading of the common law of indirect patent infringement, both inducement and contributory infringement, which the Court implied had been codified in the Patent Act.

Given the clarity of the Supreme Court’s treatment of the issues above—in particular, the repeated reminders that the Court was using the substantive patent law of inducement to decide *Grokster*—it is remarkable that when the Federal Circuit considered *en banc* the question of the required level of intent for inducement just a year later, it produced an opinion that apparently contradicted *Grokster* and led to the articulation of varying intent standards in subsequent cases.

DSU Medical Corp. v. JMS Co.

In 2006, the Federal Circuit decided *DSU Medical Corp. v. JMS Co.*, 471 F.3d 1293 (Fed. Cir.) (*en banc* in part). The patents at issue in the *DSU* case covered guards for medical needles. *Id.* at 1297-98. A primary component of the accused needle guards was a plastic sheathing structure known as the Platypus. *Id.* at 1298. The district court found (and the Federal Circuit agreed) that the Platypus infringed when in an assembled “closed-shell” configuration, but did not infringe when in an “open-shell” configuration. *Id.* at 1298-99, 1301-02.

One defendant, JMS, purchased the Platypus needle sheaths from another defendant, ITL, which manufactured those sheaths in Asia. The record showed that JMS purchased (non-infringing) open-shell Platypus sheaths in Asia, then imported them into the United States in the infringing closed-shell configuration. *Id.* at 1299, 1302. According to plaintiff, by selling JMS the Platypus sheaths, ITL induced JMS’s infringement. *Id.* at 1304. Although the jury found that JMS did directly infringe the plaintiff’s patent, it returned a verdict of no inducement against ITL. *Id.* at 1297, 1306-07. The plaintiff appealed that finding.

The district court in *DSU* had charged the jury that:

In order to induce infringement, there must first be an act of direct infringement and proof that the defendant knowingly induced infringement with the intent to encourage the infringement. The defendant must have intended to cause the acts that constitute the direct infringement and *must have known or should have known* tha[t] its action would cause the direct infringement. *Id.* at 1305 (emphasis added).

On appeal, the plaintiff contended that this instruction was erroneous because, in its view, “the inducer need only intend to cause the *acts* of the third party that constitute direct infringement.” *Id.* at 1305 (emphasis added). In other words, the plaintiff argued that inducement lay in intentionally causing an act that was later found to constitute infringement, regardless of whether the defendant actually intended to cause infringement. To support what amounted to a strict liability standard for inducement, the plaintiff cited *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909

F.2d 1464, 1469 (Fed. Cir. 1990). There, the Federal Circuit had stated that “[p]roof of actual intent to cause the acts which constitute the infringement is a necessary prerequisite to finding active inducement.” *Id.* Notably, this statement does not conclusively support the plaintiff’s argument. The statement would be equally true if proof of intent to cause *both* acts and infringement were required for infringement liability; obviously, it is impossible to intend to cause infringing acts without also intending to cause the acts themselves.

Given the weakness of the plaintiff’s argument, it is surprising that the entire Federal Circuit felt compelled to respond to it. Indeed, Chief Judge Michel wrote separately in *DSU* to emphasize that *en banc* consideration was unnecessary. *Id.* at 1311. According to Judge Michel, the plaintiff “misreads *Hewlett-Packard* as if we had said ‘proof of actual intent to cause the acts which constitute the infringement is a necessary *and sufficient* prerequisite to finding active inducement,’ but we did not.” *Id.* (emphasis added.) Thus, Judge Michel saw “no need for intervention by the full court. Such rare intervention should be reserved for real conflicts as well as cases of exceptional importance.” *Id.* Indeed, the Federal Circuit panel in *DSU* could easily have used *Grokster* to dismiss the plaintiff’s interpretation of *Hewlett-Packard* as effectively overruled by the Supreme Court.

In view of the ultimate *DSU* opinion, Judge Michel’s misgivings concerning *en banc* treatment proved prescient. The primary value of an *en banc* decision would have come from a clear statement of the law of intent for induced infringement. Instead, to a significant degree, the *DSU* opinion focuses on refuting the plaintiff’s weak argument even as it fails to enunciate a coherent alternative. And, in an ironic twist, that incoherence results largely from repeated quotations to a single Federal Circuit case, *Manville*, which had been authored by Judge Michel.

In the *en banc* section of *DSU*,³ the Federal Circuit decisively rejected the plaintiff’s argument that it is sufficient to show mere intent to cause acts that turn out to be infringing. In reaching this holding, the *DSU* court stated that it was applying the Supreme Court’s decision in *Grokster*:

³ Section B of *DSU* is the only section decided *en banc*; the rest of the opinion is a panel decision.

Grokster has clarified that the intent requirement for inducement requires more than just intent to cause the acts that produce direct infringement. Beyond that threshold knowledge, the inducer must have an affirmative intent to cause direct infringement.... [I]nducement requires that the alleged infringer knowingly induced infringement and possessed *specific intent* to encourage another's infringement. *Id.* at 1306 (emphasis added, internal quotation marks and citation omitted).

This language certainly seems to adopt “specific intent” as the standard for inducement. Such a conclusion is buttressed by other portions of the *en banc* opinion, which quote prior Federal Circuit cases for the same proposition: “mere knowledge of possible infringement by others does not amount to inducement; *specific intent* and action to induce infringement must be proven,” *id.* at 1305 (citing *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1363 (Fed. Cir. 2003)), and “inducement requires ‘that the alleged infringer knowingly induced infringement and possessed *specific intent* to encourage another's infringement.’” *Id.* (citing *MEMC Elec. Materials v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1378 (Fed. Cir. 2005)).

Had the Federal Circuit left it at that, *DSU* would have settled the issue: knowledge of the patent and specific intent to induce infringement of the patent are required for inducement liability. Unfortunately, the court completely confused matters by quoting at length from *Manville*, a case that seemingly sets forth a different and weaker standard for intent. Thus, the very beginning of the *en banc* portion of *DSU* declares:

“This section clarifies [the inducement] intent requirement by holding en banc that, as was stated in *Manville Sales Corp. v. Paramount Systems Inc.*, 917 F.2d 544, 554 (Fed. Cir. 1990), ‘[t]he plaintiff has the burden of showing that the alleged infringer's actions induced infringing acts and that he *knew or should have known* his actions would induce actual infringements.’” *DSU*, 471 F.3d at 1304 (emphasis added).

Thus, in addition to specific intent, *DSU* also seemingly endorses a “should have known” negligence-type standard for inducement. Although this quote

from *Manville* was followed by a string of references to “specific intent,” the court guaranteed confusion by then repeating the same “should have known” quote from *Manville*. Remarkably, the court not only repeated the quote, but this time lengthened it to include language *equating* a “should have known” standard with specific intent:

Grokster, thus, validates this court’s articulation of the state of mind requirement for inducement. In *Manville*, this court held that the “alleged infringer must be shown ... to have knowingly induced infringement, not merely knowingly induced the acts that constitute direct infringement. This court explained its “knowing” requirement [in *Manville*]: “It must be established that the defendant possessed *specific intent* to encourage another’s infringement and not merely that the defendant had knowledge of the acts alleged to constitute inducement. The plaintiff has the burden of showing that the alleged infringer’s actions induced infringing acts and that he *knew or should have known* his actions would induce actual infringements.” *DSU*, 471 F.3d at 1306 (emphasis added, citations omitted).

In part, the court’s focus on refuting the plaintiff’s intent argument, which is the apparent point of the section quoted above, may have led to this confusion. Further, the court may have been attempting to reconcile its precedent with the *Grokster* decision. Unfortunately, the result was a confusing contradiction.

A negligence-type “should have known” standard and a specific intent standard are simply not consistent with one another. As Justice Holmes famously noted, “Even a dog distinguishes between being stumbled over and being kicked.” *The Common Law*, p. 3 (1881). “Intent”—and all the more so “specific intent”—denotes an actual purpose to achieve certain consequences. *See* Restatement (Second) of Torts § 8A (1965) (“[t]he word ‘intent’ is used... to denote that the actor desires to cause the consequences of his act, or that he believes that the consequences are substantially certain to result from it”). It is one thing to say that a defendant took an action for the purpose of causing another to infringe, and quite another to say that he

took an action and merely should have known that that action would cause another to infringe.

Moreover, a specific intent standard is consistent with the Supreme Court's holding that actionable induced infringement, whether in patent law or in copyright law, requires "actively and knowingly aiding and abetting another's direct infringement" and "purposeful, culpable expression and conduct." *Grokster*, 545 U.S. at 936, 937. By contrast, a "should have known" standard is not consistent with *Grokster*. A defendant who merely "should have known" it was inducing infringement clearly did not intend to "actively and knowingly aid and abet" such infringement or do so with "purposeful, culpable expression and conduct."

Indeed, the Supreme Court's analysis of *Sony* forecloses a mere "should have known" standard for inducement liability in patent law. In *Sony*, the "[c]opyright holders sued Sony as the manufacturer, claiming it was contributorily liable for infringement that occurred when VCR owners taped copyrighted programs because it supplied the means used to infringe, and it had *constructive knowledge* that infringement would occur." *Id.* at 931 (emphasis added). The Court rejected this theory, stating that "mere knowledge of infringing potential or *of actual infringing uses* would *not* be enough here to subject a distributor to liability." *Id.* at 937 (emphasis added). If a defendant who *knows* it is actually inducing infringement cannot be liable without additional evidence of intent, it is difficult to see how a defendant that only "should have known" it was aiding infringement could be liable.

Varying Post-DSU Formulations of the Intent Standard

By conflating a specific intent and a negligence-type "should have known" standard for inducement, *DSU* ended up sowing doctrinal confusion. Some post-*DSU* opinions have read *DSU* as announcing a specific intent standard. See, e.g., *Ricoh Co. v. Quanta Computer Inc.*, 550 F.3d 1325, 1342 (Fed. Cir. 2008) ("this court explicitly relied on *Grokster* to clarify that specific intent to cause infringement is required for a finding of active inducement"); *AstraZeneca LP v. Apotex Inc.*, Nos. 2009-1381, 2009-1424, 2010 WL 4286284, at *12 (Fed. Cir. Nov. 1, 2010) ("[i]nducement requires that the alleged infringer knowingly induced infringement and possessed

specific intent to encourage another's infringement"); *Wordtech Sys., Inc. v. Integrated Network Solutions, Inc.*, 609 F.3d 1308, 1315 (Fed. Cir. 2010) (same); *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 851 (Fed. Cir. 2010) ("[t]o prove inducement, the patentee must show direct infringement, and that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another's infringement"); *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1328 (Fed. Cir. 2009) ("[i]nducement requires a showing that the alleged inducer knew of the patent, knowingly induced the infringing acts, and possessed a specific intent to encourage another's infringement"); *BMC Resources*, 498 F.3d at 1381 ("indirect liability requires evidence of 'specific intent' to induce infringement").

Indeed, the panel in *DSU* upheld the verdict of no inducement in that case by echoing *Grokster's* "purposeful and culpable expression standard," referencing the specific intent standard, and making no mention of whether the defendant "should have known" about infringement. It stated that "the jury was well within the law to conclude that ITL did not induce JMS to infringe by *purposefully and culpably* encouraging JMS's infringement. To the contrary, the record contains evidence that ITL did not believe its Platypus [sheath] infringed. Therefore, it had *no intent* to infringe." *DSU*, 471 F.3d at 1307 (emphasis added).

By contrast, other post-*DSU* decisions have characterized the *en banc* decision as embracing a "knew or should have known" standard. See, e.g., *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 697-99 (Fed. Cir. 2008) ("intent may be established where an alleged infringer who 'knew or should have known his actions would induce actual infringements'"); *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1321-22 (Fed. Cir. 2009) ("[T]he plaintiff has the burden of showing the alleged infringer's actions induced infringing acts and that he knew or should have known his actions would induce actual infringements."); *Ecolab, Inc. v. FMC Corp.*, 569 F.3d 1335, 1350-51 (Fed. Cir. 2009) ("To prevail on an induced infringement claim, the patentee must establish 'that the alleged infringer's action induced infringing acts and he knew or should have known his actions would induce actual infringements.'"); *Fujitsu Ltd. v. Netgear Inc.*, 620 F.3d 1321, 1331 (Fed. Cir. 2010) ("To establish inducement, a patent owner must show that the accused infringer induced the infringing acts and knew or should have known that its actions would induce actual infringement."); *Cornell Univ. v.*

Hewlett-Packard Co., 2009 WL 1117389 at *6 (N.D.N.Y. 2009) (Rader, J.) (“The jury’s finding that Hewlett-Packard induced its customers to infringe the ’115 patent is not vulnerable to JMOL so long as there is substantial evidence that a third party directly infringed the ’115 patent, and that Hewlett-Packard knew or should have known that its actions would induce infringement”). Rather than promote doctrinal uniformity, *DSU* has seemingly led to an intra-circuit split concerning how even to articulate the proper intent standard.

Further Dilution of the Intent Standard in SEB v. Montgomery Ward

The Federal Circuit’s varying formulations of the intent standard culminated in the recent case of *SEB S.A. v. Montgomery Ward & Co. Inc.*, 594 F.3d 1360 (hereinafter referred to as “Global-Tech” since that is the name under which the case reached the Supreme Court). There, the Federal Circuit upheld an inducement verdict despite unequivocal evidence that the defendant did not know of the allegedly infringed patent—on the ground that the defendant showed “deliberate indifference” to the potential existence of the patent and therefore to the risk of infringement. Paradoxically, this latest confusing development in the Federal Circuit’s handling of the intent standard may produce the doctrinal clarity that *DSU* did not. Recently, the Supreme Court agreed to review the *Global-Tech* decision to decide whether it is inconsistent with the “purposeful and culpable conduct” standard in *Grokster*.

The patent in *Global-Tech* covered a deep fryer. *Id.* at 1365. Deep fryers are commonly made of a metal frying element encased in an outer covering known as a “skirt.” *Id.* Because the frying element reaches high temperatures of 150° or more, the skirt must be capable of withstanding such temperatures. *Id.* Although skirts are commonly made of plastic materials, plastics that can withstand high temperatures are expensive and therefore cannot be used for the manufacture of low-priced fryers. *Id.* The patent in question solved this problem by disclosing a metal fryer pan joined to the skirt only along its top edge, using a heat-resistant material. *Id.* at 1365-66. Otherwise, the skirt and fryer are separated by air space of sufficient width to prevent the skirt from overheating, in turn permitting the use of inexpensive plastics that could not otherwise withstand high temperatures. *Id.* at 1366.

The defendant, Pentalpha, had developed its competing product by purchasing one of the plaintiff's fryers in Asia and copying it. *Id.* at 1366, 1377. It then sold its competing product to various resellers, who sold them to the public. *Id.* at 1366-67. Before selling its copy of the plaintiff's fryer, the defendant obtained an opinion from an attorney who analyzed twenty-six patents and concluded that the defendant's product would not infringe any of them. *Id.* at 1366, 1377. Significantly, however, Pentalpha did not inform its attorney that it had copied the plaintiff's fryer, and apparently the plaintiff's patent was not among the patents analyzed by the attorney. *Id.* Nevertheless, there was no direct evidence in *Global-Tech* that the defendant was actually aware of the plaintiff's patent until the plaintiff sued one of the defendant's customers, Sunbeam, for infringing the fryer patent. *Id.*

After a trial, the jury found both direct infringement and inducement and awarded damages that in part covered sales to Sunbeam occurring *before* Pentalpha was notified of the plaintiff's suit against Sunbeam. *Id.* at 1367-68, 1376 n.*. On appeal, the defendant argued that under *DSU*, it could not be found liable for inducing those sales since there was no evidence it had actually known of the plaintiff's patent. *Id.* at 1366, 1377.

The *DSU* opinion certainly seems to support the plaintiff's argument. In the *en banc* section, immediately after the court first quoted the confusing "knew or should have known" language from *Manville*, it went on to state: "[t]he requirement that the alleged infringer knew or should have known his actions would induce actual infringement *necessarily* includes the requirement that he or she knew of the patent." *DSU*, 471 F.3d at 1304 (emphasis added). Notably, this statement makes sense only under a specific intent standard. If specific intent to induce *infringement* (not just *acts* constituting infringement) is indeed the standard, it is logically impossible for a defendant to meet that standard if she is unaware of the patent. However, if a defendant merely "should have known" her actions would cause infringement, then it is possible for the defendant not actually to have known of a relevant patent, but instead merely to have been negligent in ascertaining whether that patent existed. This again raises the puzzling question of why the Federal Circuit repeatedly uses "should have known" language when it purports to apply a specific intent standard—especially in view of requirements, like actual knowledge of the patent, that are logically consistent only with a specific intent standard.

In another irony, Judge Michel's concurrence in *DSU* also mentioned the "knowledge of the patent" requirement—but solely for the purpose of asserting that this issue was *not* being decided in *DSU*. After asserting that *en banc* review was unnecessary, Judge Michel contended that "we do not set forth a new standard here as to what satisfies the 'knowledge of the patent' requirement in cases brought under 35 U.S.C. § 271(b)." *Id.* at 1311. In Judge Michel's view, the "knowledge of the patent" requirement encompassed both "actual and constructive knowledge standards." *Id.* However, he cited only to a single case, *Insituform Techs., Inc. v. Cat Contr. Inc.*, 161 F.3d 688, 695 (Fed. Cir. 1988), for that proposition, stating that *Insituform* analyzed "section 271(b) liability under both actual and constructive knowledge standards." *DSU*, 471 F.3d at 1311. But the facts in *Insituform* do not involve the issue of "constructive knowledge" of the patent in any way, and thus the only mention of constructive knowledge is dictum.

In *Insituform*, the defendant, KM, undisputedly committed all of the allegedly inducing acts *before* it was put on notice of the relevant patent. The Federal Circuit agreed that this fact precluded inducement because "[a] crucial element of induced infringement is that the inducer must have actual or constructive knowledge of the patent." *Insituform*, 161 F.3d at 695. The court cited no authority for the proposition that "constructive knowledge" of the patent could suffice, and the only issue in the case arguably involving "constructive knowledge" did not relate to knowledge of the patent but rather knowledge of inducing activity. According to the opinion, a *non-party* corporation "related" to the defendant started licensing the infringing technology *after* the defendant had received notice of the patent. *Id.* Consequently, the Federal Circuit held that:

there were no findings that this affiliate was KM's alter ego. We agree that Defendants have shown clear error on the district court's finding that KM induced infringement. As the trial court made no finding on the alter ego issue, instead of reversing, we vacate the district court's holding and remand as to that issue. *Id.*

Consequently, the remand could only have been to establish whether KM committed inducing acts through the alleged alter-ego corporation, not to

establish whether KM had some sort of “constructive knowledge” of the patent from this affiliate corporation. Contrary to the *DSU* concurrence, *Insituform* did not involve an analysis of constructive knowledge of the patent in any way.

Nevertheless, the Federal Circuit in *Global-Tech* seized on the *DSU* concurrence and the language of *Insituform* to reject the defendant’s “knowledge of the patent” argument. The court began by yet again repeating the confused holding in *DSU*:

In *DSU Medical*, which was decided after the jury verdict in this case, this court addressed the intent necessary to support a finding of induced infringement. Under that rule, the plaintiff must show that the alleged infringer knew or should have known that his actions would induce actual infringements. *Global-Tech*, 594 F.3d at 1375-76.

Then, while noting the seemingly unequivocal statement in *DSU* that “[t]he requirement that the alleged infringer knew or should have known his actions would induce actual infringement necessarily includes the requirement that he or she knew of the patent,” the *Global-Tech* court claimed that *DSU* “did not, however, set out the metes and bounds of the knowledge-of-the-patent requirement” since its facts “did not require this court to address the scope of the knowledge requirement for intent.” *Id.* at 1376. The court noted that the defendant in *DSU* had actual knowledge of the patent and pointed to Judge Michel’s concurrence for the proposition that “the ‘knowledge of the patent’ issue [was] not before us” in *DSU*. *Id.* Finally, it echoed the *DSU* concurrence in claiming, incorrectly, that *Insituform* stood for the proposition that constructive knowledge of the patent could suffice. *Id.* at 1378.

Having thus excised the seemingly mandatory “knowledge of the patent” requirement from *DSU*, *Global-Tech* muddled things further by emphatically stating that specific intent was the correct standard for inducement: “[t]his court has made clear, however, that inducement requires a showing of ‘specific intent to encourage another’s infringement,’” citing *Broadcom v. Qualcomm* (ironically, a case that relied on “knew or should have known” language). *Id.* at 1376. The *Global-Tech* court then proceeded to argue that a

“deliberate indifference” standard was fully compatible with a “specific intent” standard, *id.* at 1376-77.

The Federal Circuit’s reasoning in *Global-Tech* seems to be incorrect as a matter of logic. Even if a person goes out of her way to avoid ascertaining whether a patent exists, that person simply cannot have *known* the patent existed and cannot have intended to induce infringement of that patent. Indifference may be sufficient to demonstrate negligence or recklessness with respect to infringement, but certainly not specific intent.

Of course, a person whose outward actions manifest deliberate indifference to whether a patent exists is not necessarily blameless. Indifference to an obvious risk may be evidence of concealment. Indeed, the actions of Pentalpha, the defendant in *Global-Tech*, and its employees seem highly suspicious. Pentalpha’s president was well versed in the patent system and was a named inventor on twenty-nine US patents. *Id.* at 1377. He testified that he understood the plaintiff to be cognizant of patent rights as well. *Id.* Indeed, the defendant and the plaintiff had an earlier relationship that involved the plaintiff’s patented steamer. *Id.* Nevertheless, the defendant directly copied all but the cosmetic aspects of the plaintiff’s fryer without determining whether it was patented. *Id.* Pentalpha then proceeded to commission an opinion letter from an attorney without telling the attorney it had directly copied the plaintiff’s product. *Id.* at 1378. And, tellingly, the defendant *never* argued that it actually believed no patent to exist. One may well infer that the defendant was concealing prior knowledge of the patent.

Nevertheless, although the *Global-Tech* court came close to such a conclusion—which would be fully consistent with a specific intent standard—it held instead that “the standard of deliberate indifference of a known risk is not different from actual knowledge, but is a form of actual knowledge” (as opposed to saying, more straightforwardly, that deliberate indifference can be potential evidence of actual knowledge). *Id.* at 1377. The court then upheld the jury verdict because “[t]he record contains adequate evidence to support a conclusion that Pentalpha deliberately disregarded a known risk that SEB had a protective patent.” *Id.*

In an apparent effort to hold an admittedly unsympathetic defendant liable, the Federal Circuit reiterated the conflation of “specific intent” with a

“should have known” standard, then proceeded several steps farther down the path of confusion by endorsing “deliberate indifference” to potential infringement as yet another standard of intent. This holding simply cannot be reconciled with the Supreme Court’s decision in *Grokster* and *Sony*. A defendant who does not know the relevant patent exists cannot be found to have “purposefully” induced its infringement no matter how egregious its indifference to the existence of the patent.

Patent holders could argue that finding deliberate indifference insufficient to establish inducement would be unfair because it would give an incentive to potential inducers to bury their heads in the sand, make no effort to determine whether they are inducing infringing acts, and so avoid liability. However, the apparent moral hazard of such a rule is tempered in three important ways. First, a jury is free to conclude that purported deliberate indifference to the existence of a patent is actually evidence of concealing knowledge of that patent. Second, deliberate indifference to a patent’s existence is defeated the moment the patent holder puts the accused inducer on notice. Third, with respect to any infringement that occurred prior to notice, the patent holder is always free to sue the direct infringers. Indeed, in *Global-Tech*, the plaintiff had already done so and had received a \$2 million settlement from Sunbeam, an amount deducted from the damages awarded against Pentalpha for inducing Sunbeam’s infringement. *Id.* at 1367-68.

Because of those considerations, the chance that a patent holder will be unfairly precluded from recovery seems much less than the chance that a broad “deliberate indifference” rule will be abused in future inducement cases. Purported omissions are much easier to come up with than acts. In hindsight, a skilled litigator can easily characterize any number of omissions as proof of deliberate indifference to a risk of infringement. As a result, such a weak intent standard will invite abuse of the inducement doctrine.

The fate of the *Global-Tech* decision is currently uncertain. After the Federal Circuit handed down its decision, the defendant petitioned the Supreme Court for certiorari on the question, “[w]hether the legal standard for the state of mind element of a claim for actively inducing infringement under 35 U.S.C. § 271(b) is ‘deliberate indifference of a known risk’ that an infringement may occur...or ‘purposeful, culpable expression and conduct’

to encourage an infringement, as this Court taught in” *Grokster*. Petition for Writ of Certiorari for Global-Tech Appliances Inc., *Global-Tech Appliances Inc. v. SEB S.A.*, No. 10-6, 2010 WL 2813550, at *i (June 23, 2010). On October 12, 2010, the Supreme Court granted the petition. See *Global-Tech Appliances Inc. v. SEB S.A.*, No. 10-6, 2010 WL 2629783 (Oct. 12, 2010).

In the past several years, the Supreme Court has reversed the Federal Circuit in virtually every patent case it has heard,⁴ and there is good reason to believe that *Global-Tech* will be no different. All of those reversals have been predicated on statements that the Federal Circuit has overstepped its authority in fashioning rules for patent cases that conflict with prior Supreme Court precedent. Consequently, if the Court decides to reverse the Federal Circuit yet again in *Global-Tech*, it will almost certainly do so on the basis of the decision’s seemingly obvious incompatibility with *Grokster*.

If the Supreme Court does reverse *Global-Tech*, it should use the opportunity to sweep away the contradictory standards of *DSU* and its progeny, and articulate in their place a coherent standard for the intent element of inducement of patent infringement. Given the principles in *Grokster* and *Sony*, the proper contours of that standard are apparent. The accused inducer must act with specific intent to induce infringement. That level of intent presupposes three types of knowledge: (1) the inducer must know of the patent; (2) the inducer must know that the patent is being infringed; and (3) the inducer must know its actions are aiding infringement of the patent. However, unless the inducer’s actions are almost invariably leading to infringement—as in contributory infringement—mere knowledge of all three facts is not sufficient. The inducer must also intentionally take affirmative steps to aid or encourage infringing (as opposed to non-infringing) activities, and it must take those steps believing that the facilitated acts constitute infringement.

⁴ *eBay Inc. v. MercExchange LLC*, 547 U.S. 388 (2006) (automatic injunction for infringement); *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) (test for obviousness); *MedImmune v. Genentech Inc.*, 549 U.S. 118 (2007) (test for declaratory judgment jurisdiction); *Quanta Computer Inc. v. LG Elecs, Inc.*, 553 U.S. 617 (2008) (patent exhaustion); *Bilski v. Kappos*, 130 S.Ct. 3218 (2010) (affirming judgment but expressly rejecting Federal Circuit test for patentable subject matter).

CIRCUMSTANTIAL EVIDENCE OF INTENT: THE PROBLEM OF “HINDSIGHT INTENT”

The Need for Circumstantial Evidence of Intent

Even if the Supreme Court finally clarifies that the applicable intent standard for inducement is specific intent, such a standard will prove ineffective in preventing abuse of the inducement doctrine unless another issue is clarified: what types of evidence can prove the alleged inducer’s intent to encourage acts *it knew at the time* constituted infringement. The remainder of this chapter addresses this important yet apparently overlooked issue, which is equally critical to striking the proper balance between patent owners and defendants in the inducement context.

As the Federal Circuit recognized in *DSU*, “[w]hile proof of intent is necessary, direct evidence is not required; rather circumstantial evidence may suffice.” *DSU*, 471 F.3d at 1306. It is difficult to see how the rule could be otherwise, since requiring direct evidence would severely weaken the inducement doctrine. Defendants are not likely to memorialize their belief that they intend to encourage infringement or admit to such a belief during litigation. Furthermore, any direct evidence is most likely to be contained in documents or communications that can usually be withheld from discovery on the grounds of attorney-client privilege or work-product protection. It will be a rare case indeed where there is a smoking gun demonstrating direct evidence of intent to encourage acts actually believed by the defendant to constitute infringement. Requiring such evidence would therefore effectively vitiate the inducement doctrine.

The Complexity of Patent Infringement Determinations and the Problem of “Hindsight Intent”

But if reliance on circumstantial evidence is necessary, what sort of evidence demonstrates an intent to cause infringing acts? Here, the prominence of *Grokster*, a copyright case, in defining the modern intent requirement for patent inducement may prove problematic. Although *Grokster* expressly equates the standards for inducement in the patent and copyright spheres, there are obvious differences between inducement in

these two different branches of intellectual property law—differences the Supreme Court may overlook in deciding the *Global-Tech* case.

As *Sony* and *Grokster* demonstrate, the existence of copyright infringement is usually readily apparent. In recording copyrighted video, VCRs undisputedly infringe the copyrights on those videos. In allowing sharing of digital music and videos, file sharing services are unquestionably aiding infringement of copyrights on those videos. It was this clarity that allowed the Court to hold in *Grokster*, despite statements that mere knowledge of infringing uses or ordinary activities in the course of product distribution are not *per se* evidence of intent, that there was ample evidence that the defendants were actively and knowingly aiding infringement. It was obvious that the primary attraction of services such as Grokster to computer users was their ability to permit sharing of copyrighted music and videos, and it was therefore obvious that in promoting those services defendants sought to capitalize on that fact.

By contrast, whether or not a given activity constitutes patent infringement is often a far more complicated and indeterminate question. The patent infringement analysis is a complex, two-step process. Any ambiguous or disputed words or phrases in an asserted patent claim must first be construed, and this construction can only be performed by a court. See *Innova/Pure Water Inc. v. Safari Water Filtration Systems Inc.*, 381 F.3d 1111, 1115 (Fed. Cir. 2004) (citing *Markman v. Westview Instruments Inc.*, 52 F.3d 967, 976 (Fed. Cir. 1995)). Only after claim construction are the elements of the patent claim compared with the accused device or process to determine whether infringement exists. *Id.* Consequently, the ultimate infringement determination is heavily dependent on claim construction, and that construction does not take place until and unless a patent is actually asserted in an infringement case. As anyone who has ever handled a complex patent case will attest, claim construction is an art, not a science, and an imprecise art at that. The results of the claim construction process can be highly unpredictable, as the notoriously high reversal rate for district court claim constructions reflects.

Even after a patent claim is construed, the question of whether it is being infringed may also not be readily apparent. In some cases, the infringement question can be answered only with reference to confidential information

concerning the allegedly infringing product. In many cases, the infringement issues are highly technical and nuanced, with the outcome ultimately resting in large measure on what a particular jury makes of complex arguments proffered through the testimony of dueling experts.

Finally, unlike copyright infringement, a patent infringement case typically involves not only infringement but also validity. It is axiomatic that an invalid patent claim cannot be infringed, *Vikase Corp. v. American Nat'l Can Co.*, 261 F.3d 1316, 1323, and there are a great variety of potential validity defenses. The success of any one of those defenses renders the patent a nullity and ends any infringement case. Like infringement, the resolution of commonly asserted validity defenses such as anticipation or obviousness depends heavily on claim construction—a construction that can only be definitively supplied in litigation—and the ultimate validity determination may also include highly technical and close questions of fact, all ultimately dependent on the vagaries of the jury system. Therefore, given the complexity of both the infringement and validity determinations, the typical alleged inducer of patent infringement has many more potentially powerful reasons to believe that its actions are not encouraging infringement of a valid patent than the typical accused inducer of copyright infringement.⁵

For this reason, the types of evidence that the Supreme Court relied upon in *Grokster* as highly probative of intent become far more ambiguous in the patent context. When the fact of infringement is crystal-clear—as it is when millions of users use a service such as Napster or Grokster to exchange copyrighted music and videos—such factors as aggressively seeking business for that service, profiting from the service, and failing to take measures to prevent activities that undisputedly constitute infringement may persuasively demonstrate intent to encourage and profit from infringement. However, in patent law, where the fact of infringement is often not readily apparent and is conclusively established only after litigation of the merits, such activities as continuing to solicit business that a

⁵ Indeed, the complexity of patent law is yet another reason why a “should have known” intent standard is inappropriate for inducement of patent infringement. It is all too easy to conclude after infringement has actually been found that the accused inducer “should have known” all along that it was aiding infringement, as well as to brush aside the reasons the accused inducer may have had in thinking it was not actually causing infringement of a valid patent prior to the outcome of the litigation.

patent owner has merely *characterized* as aiding infringement, indirectly profiting from *allegedly* infringing activities or failing to take active measures to prevent facilitating such alleged infringing activities demonstrate intent are far less probative. Such activities may instead be equally probative of a reasonable (if ultimately mistaken) belief that what is being induced is simply not infringement of a valid patent.

How to account for this evidentiary ambiguity is critical to formulating a fair and workable standard of intent for inducement of patent infringement, one that strikes the proper balance between the rights of patent owners and the rights of accused inducers. In the wake of closely fought direct infringement case, it is unfair to allow the patent owner simply to recast every way in which the defendant facilitated acts *later* found to be infringement into conclusive proof that an accused inducer knew all along that it was encouraging infringement. Indeed, the only way an accused inducer could defeat such an inference after being notified of alleged inducement is entirely to halt the allegedly inducing activities pending the outcome of litigation—but that would be tantamount to giving patent holders automatic preliminary injunctions. Surprisingly, however, the Federal Circuit has often been seemingly insensitive to this problem.

The Federal Circuit’s Lack of Sensitivity to the Problem of “Hindsight Intent”

If the confused holding in *DSU* stands for anything, it is that an inducer’s mere intent to cause acts is insufficient—there must be intent to cause *infringing* acts.⁶ But evidence of intent to cause an infringing act—for example, selling a product that can be incorporated into an infringing device—is often identical to evidence of intent to cause an act while believing in good faith that the act does constitute infringement. Surprisingly, the Federal Circuit has often ignored this problem, even though various post-*DSU* cases involve such ambiguous evidence of intent,

⁶ See, e.g., *SEB*, 594 F.3d at 1376 (stating that, in *DSU*, “the court resolved conflicting case law setting forth both a requirement to knowingly induce infringement and to merely knowingly induce the acts that constitute direct infringement.”).

Ricoh Co. Ltd. v. Quanta Computer Inc. is a good example. In *Ricoh*, where the intent standard was explicitly held to be specific intent, the Federal Circuit reversed summary of judgment of non-inducement because it found a disputed issue of fact concerning whether the defendant was intending to cause and encourage infringing acts. However, the evidence discussed by the court seems equally consistent with an intent to cause acts merely *alleged* by the plaintiff to be infringing, but not actually believed to be infringing by the defendant at the time.

In *Ricoh*, the relevant '552 and '755 patents covered optical disc drive technology, specifically methods of writing data to an optical disc and controlling the speed of the disc. *Id.* at 1327-30. The alleged inducer, QSI, manufactured optical disc drives and sold those drives to resellers who apparently resold them to computer manufacturers and consumers. *Id.* at 1330. It appears that both hardware and software elements in the drives sold by QSI could allegedly be used to perform the claimed methods. *Id.* at 134. The plaintiff sued QSI for inducement of infringement by the resellers, among other theories, but the district court granted summary judgment to QSI, finding that the evidence was insufficient to indicate that QSI had the requisite intent to induce infringement. *Id.* at 1340.

Several types of evidence had been alleged to demonstrate intent: QSI's product specification sheets; QSI's fine-tuning of the firmware used by the accused drives for writing to optical discs a technique related to the '552 patent; a presentation that QSI gave to Dell that apparently involved information relevant to the allegedly infringing methods; website instructions; and, most significantly, the basic fact that QSI designs and sells the allegedly infringing devices to resellers. *Id.* at 1340-41. The district court held that "this evidence may establish that QSI 'may have known that its customers would perform the patented methods, but plaintiff adduces no evidence that [QSI] encouraged infringement by its customers.'" *Id.*

The Federal Circuit reversed. It squarely held that specific intent was required to show inducement. *Id.* at 1342 ("[i]n *DSU Medical Corp. v. JMS Co.*, this court explicitly relied on *Grokster* to clarify that specific intent to cause infringement is required for a finding of active inducement"). Nevertheless, it held that the plaintiff had come forward with enough

potential evidence of such specific intent to create a disputed issue of fact, precluding summary judgment.

Significantly, the Federal Circuit noted that “material issues of fact exist as to whether and to what extent direct infringement occurs during the normal use of Quanta drives.” *Id.* at 1341. Thus, even as it reversed the summary judgment of non-inducement, the court recognized that the acts being induced did not necessarily constitute infringement. Nevertheless, the *Ricoh* court held that numerous activities equally consistent with QSI’s acting in the good-faith belief that its drives did *not* directly infringe—including mere sales of the drives themselves—provided potential evidence of intent:

In particular, QSI’s role as the designer and manufacturer of the optical drives in question may evidence an intent sufficiently specific to support a finding of inducement.... [S]pecific intent to cause infringement [can be inferred] from a defendant’s knowledge of the patent and control over the design or manufacturing of the product used for direct infringement. Moreover, *Grokster* recognized that providing instruction on how to engage in an infringing use “show[s] an affirmative intent that the product be used to infringe.” *Id.* at 1343.

Thus, the Federal Circuit found that the affirmative act of fine-tuning drive firmware (apparently in such a way as to enable what was alleged to constitute infringement of the ’552 patent) need not have been communicated to alleged direct infringers to constitute encouragement of infringement. Citing *Grokster*, the Federal Circuit reasoned that a showing of intent does not require evidence that the accused indirect infringer successfully *communicated* encouragement to the alleged infringer—simply that it had engaged in acts showing encouragement. *Id.* at 1341-42. However, that begs the question of whether QSI knew that fine-tuning the firmware would cause the end users to infringe the claimed methods, or simply knew that fine-tuning the firmware would cause end users to perform methods *alleged* by the plaintiff to infringe, but which QSI had a reasonable basis for believing did not constitute infringement.

Similarly, the Federal Circuit found that the district court erred in discounting evidence of QSI's presentation to a customer, Dell, in which QSI touted the benefits of its optical drives. *Id.* at 1342. The Federal Circuit reasoned that touting the benefits of the drives could be evidence that QSI intended to encourage infringing use and did encourage Dell to engage in such use. *Id.* Here, again, there is an implicit assumption that the evidence shows that QSI *knew* that use of its drives would necessarily lead to infringement, or that the presentation intentionally showed how the infringing methods could be implemented—even though the ultimate question of what exactly constituted direct infringement was still unsettled at that phase in the litigation.

Because *Ricoh* involved a summary judgment, the Federal Circuit could not resolve this duality in the interpretation of the evidence without itself deciding factual issues. But the court could have taken the opportunity to note that, in resolving those issues, the district court should not simply permit the plaintiff to leverage an eventual direct infringement verdict into hindsight proof that QSI necessarily intended to induce infringement all along. Instead, it simply remanded the case.

This same indifference to potential hindsight problems appears in other Federal Circuit decisions upholding inducement verdicts on similarly ambiguous evidence. In *i4i Ltd. P'ship v. Microsoft Corp.*, the Federal Circuit upheld an inducement verdict because

the jury saw and heard about Microsoft's online training and user support resources, which provided detailed instructions on using Word's custom XML editor. i4i's expert opined that using the editor as directed by these materials would infringe the '449 patent. The instructional materials were thus substantial evidence that Microsoft intended the product be used in an infringing manner. *i4i*, 598 F.3d at 851-52.

Likewise, in *Lucent v. Gateway*, the Federal Circuit agreed with the alleged inducer (again, Microsoft) "that the evidence was not strong," but nevertheless upheld the inducement verdicts. 580 F.3d at 1323. The decision specifically cites only testimony by the *plaintiff's* expert:

Q: Does Microsoft know that Outlook was designed to perform in [the allegedly infringing] fashion?

A: Yes. Again, they designed it. So they know they designed it to do that.

* * *

“Q: Is it the part about scheduling meetings ... that you now say is encouraging this method of Claim 19?

A: Well, yeah. You schedule meetings using this appointment form.” *Id.* at 1323.

Here, too, evidence equally consistent with encouraging acts *not* believed infringing at the time is converted into evidence of intentionally encouraging infringing acts based on the plaintiff’s view of its infringement case, without any consideration of whether the defendant may have had reasonable, albeit ultimately unsuccessful, grounds for a defense at the time those acts occurred.

Broadcom Corp. v. Qualcomm Inc. provides another example of such ambiguous evidence. There, one of the plaintiff’s patents covered a cellular phone. The plaintiff, who did not sue a single direct infringer, alleged that the defendant, Qualcomm, induced infringement by selling a cell phone processing chip to various cell phone manufacturers. *Broadcom*, 543 F.3d at 686-87. The evidence of alleged inducement included the contention that although Qualcomm had notice of the plaintiff’s patents and infringement contentions, it continued to work closely with its customers to develop and support those customers’ cell phone products, and did not make changes to its products or give its customers instructions on how to avoid what the plaintiff had characterized as infringement. *Id.* at 700. Qualcomm could have engaged in all of those actions because it reasonably believed the plaintiff’s patent to be invalid or non-infringed. However, the Federal Circuit affirmed without discussing the ambiguous nature of the proffered evidence.⁷

Of course, if it is unfair not to take into account an alleged inducer’s good-faith belief that disputed activities do not constitute infringement, it is also unfair to go to the other extreme: always crediting the accused inducer’s

⁷ The authors of this article represented Qualcomm in post-trial proceedings.

professions of good faith, thus effectively forcing patent holders first to demonstrate direct infringement after full trial and exhaustion of appeals before being able to bring a successful inducement action. *Vita-Mix Corp. v. Basic Holding Inc.*, 581 F.3d 1317 (Fed. Cir. 2009), provides an interesting example of a case that, in the view of the dissent, took far too solicitous a view of the purported evidence of intent. In *Vita-Mix*, a majority of the panel upheld a summary judgment of non-inducement, finding that the evidence showed at most that the inducer had knowledge that some users could use its products to infringe a blender patent, but that it did not affirmatively intend to encourage such use. By contrast, the dissent noted that because there was a possibility that the accused blender would infringe in its default position—a disputed fact question—“a finder of fact could find inducement of infringement based on instructions that direct the user to operate the device in a normal fashion.” *Id.* at 1334.

A Potential Solution: Objective Assessment of the Defendant’s Defenses

Neither automatic “hindsight intent” or automatic acceptance of a defendant’s professions of good faith provide a satisfactory means of addressing with the issue of circumstantial evidence of intent, one that properly balances the rights of patentees and accused inducers. What is necessary instead is an explicit weighing of the relative strength and plausibility of the defendant’s defenses in addressing ambiguous evidence of intent. Interestingly, such a step already exists in current patent law, in a doctrinal area that is also heavily dependent on intent standards: the law of willful infringement.

The willfulness of direct infringement is relevant to the damages that can be recovered for that infringement. A plaintiff can always recover damages for direct infringement that are no less than a reasonable royalty for the infringing use; there is no requirement that the plaintiff show that the defendant acted intentionally in any way. See 35 U.S.C. § 284. However, the patent statute provides that damages can be multiplied up to three times by the court. *Id.* Although the statute is silent concerning when such enhancement is proper, the Federal Circuit has held that it requires a showing that infringement was “willful.” See *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (citing *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991)).

The original standard for determining whether infringement was willful was articulated by the Federal Circuit in *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983): “[w]here...a potential infringer has actual notice of another’s patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing.” According to the court, that affirmative duty of care included the obligation to seek advice of counsel upon being notified of potential infringement. *Id.* However, in *In re Seagate Tech., LLC*, 497 F.3d 1360, the *en banc* Federal Circuit abolished the “affirmative duty of care” standard (along with the obligation to seek advice of counsel) because that standard “is more akin to negligence.” *Id.* at 1370.

In reaching that conclusion, the court looked to the meaning of willfulness in the context of copyright law, where the statute provides for enhancement of damages for “willful infringement.” See 17 U.S.C. § 504(c). It noted that, “[a]lthough the statute does not define willful, it has consistently been defined as including reckless behavior,” specifically quoting *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 112 (2d Cir. 2001) (“Willfulness in [the context of statutory damages for copyright infringement] means that the defendant ‘recklessly disregarded’ the possibility that ‘its conduct represented infringement.’”). *Seagate*, 497 F.3d at 1370. Similarly, the court found that willfulness in the context of punitive damages also required at least reckless behavior, as opposed to mere negligence. *Id.*

In place of the “affirmative duty of care” standard, the *en banc* court in *Seagate* established a two-part test:

a patentee must show by clear and convincing evidence that the infringer acted despite an *objectively* high likelihood that its actions constituted infringement of a valid patent. The state of mind of the accused infringer is not relevant to this objective inquiry. If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer. *Id.* at 1371 (emphasis added, internal citations omitted).

The court left further development of the standard to future cases.

At common law, recklessness is a less demanding standard than specific intent. *Compare Id.* at 1371 (“[t]he civil law generally calls a person reckless who acts...in the face of an unjustifiably high risk of harm that is either known or so obvious that it should be known.”) (*citing Farmer v. Brennan*, 511 U.S. 825, 836 (1994)) with Restatement (Second) of Torts § 8A (1965) (“The word ‘intent’ is used...to denote that the actor desires to cause consequences of his act, or that he believes that the consequences are substantially certain to result from it”). If recklessness, which is a less stringent standard than specific intent, requires an objective inquiry into the strength of the accused infringer’s beliefs concerning its actions, then a specific intent standard in inducement cases should require no less. Therefore, if in an inducement case “specific intent to cause infringement [can be inferred] from a defendant’s knowledge of the patent and control over the design or manufacturing of the product used for direct infringement,” *Ricoh*, 550 F.3d at 1343, there should be some objective weighing of whether the defendant could plausibly have thought its actions were not necessarily leading to infringement prior to the outcome of the litigation.

Although a detailed discussion is beyond the scope of this chapter, a harmonizing of willfulness and inducement doctrine would require reassessing the proper role of opinions of counsel in the inducement sphere. In the *Broadcom* case, the Federal Circuit specifically upheld failure to seek such opinions, along with other factors, as evidence of intent to induce infringement. *Broadcom*, 543 F.3d at 698-99.⁸ *In re Seagate* held, however, that an accused direct infringer has no obligation to seek opinions of counsel to defeat a willfulness finding. *See Seagate*, 497 F.3d at 1371. How to resolve this apparent contradiction is not readily apparent. On the one hand, it may seem odd that an accused inducer has a greater obligation to seek opinion of counsel than an accused direct infringer. On the other hand, a direct infringer has always been liable for actual infringement damages regardless of intent; under pre-*Seagate* law, the opinion letter went solely to the question of willfulness and therefore to enhancement of actual damages. By contrast, the issue in an inducement case is whether the

⁸ See also, e.g., *DSU*, 471 F.3d at 1307 (holding that evidence of letters obtained by the accused inducer from Australian and US counsel that its product did not infringe supported jury verdict of no inducement).

defendant should have any liability whatsoever for the induced infringement. In that context, it might be more understandable to require that a defendant procure opinion letters to support a good faith belief that it did not intend to induce acts alleged by the plaintiff to constitute infringement. Nevertheless, it seems incongruous that the absence of an opinion letter is not probative evidence when a plaintiff is attempting to show that a direct infringer acted recklessly, but is probative evidence when the plaintiff must show that a defendant induced infringement with specific intent.

Regardless of the ultimate role of opinion letters, the law of inducement should be far more sensitive to the inherent complexity of patent law, to the fact that accused inducers often have many reasonable grounds for thinking they are not inducing infringing acts, and thus to the entire problem of “hindsight intent.” If the plaintiff attempts to show intent to cause infringing acts with circumstantial evidence that is equally consistent with intent to cause acts not believed to be infringing—such as simply selling a product, providing instructions concerning its use, working with customers on technical support issues and the like—some consideration of the objective strength⁹ of the accused inducer’s defenses should be part of the inducement determination. For example, the jury could be instructed that simply because a defendant aids activities later found to be infringing, that alone is not conclusive proof that the defendant intended to cause the infringement all along. The jury could be further instructed that it should weigh the objective strength of the non-infringement and validity cases.¹⁰

Such instructions may not always result in fairer outcomes than under current precedent, but they would at least attempt to strike a better balance between patent holders and accused inducers than under current Federal Circuit law. Currently, a defendant can be found liable for inducement even if it merely “should have known” of, or was “deliberately indifferent” to, the possibility of infringement, and the evidence of intent can consist

⁹ Requiring an objective rather than subjective assessment of the accused inducer’s defenses is important to avoid putting the accused inducer in the position of having to waive attorney-client privilege and work-product protection to prove a lack of intent.

¹⁰ Notably, even with such an instruction, the important factor of the relative strength of claim construction arguments would probably be lacking. Once the judge has construed the claims, she instructs the jury to follow those constructions as a matter of law.

simply of continuing to sell and support a product after the plaintiff has alleged, but before the plaintiff has proven, infringement—regardless of the relative strength of the inducer’s defenses. Given the breadth of the inducement statute, the current law unduly favors patent holders, and the Federal Circuit should both address and mitigate this problem.

CONCLUSION

Because the inducement statute is sweeping in scope, a meaningful intent requirement is vital to a proper balancing of the rights of patent holders and the rights of accused inducers. In *Grokster*, the Supreme Court clearly indicated that the proper standard for inducement is specific intent. However, the Federal Circuit weakened that requirement in *DSU* by confusing specific intent with a “should have known” negligence-type standard. This led to varying formulations of the standard in subsequent cases, culminating in *Global-Tech*, where “deliberate indifference” to the risk of infringement was held consistent with specific intent to induce infringement. When it decides *Global-Tech*, the Supreme Court should restore clarity to the law by expressly holding that specific intent is required for inducement.

However, even a robust intent standard will not protect defendants from pretextual inducement suits if that standard can be met easily with ambiguous circumstantial evidence. The Federal Circuit has shown little sensitivity to the fact that indirect evidence of intent to induce infringement—such as merely continuing to sell a product accused of facilitating infringement—is often equally consistent with a defendant’s reasonable, if ultimately mistaken, belief that it is not inducing infringement. To help ensure that the specific intent standard remains a meaningful check on unfair inducement suits, the Federal Circuit should look to its decisions in the area of willful infringement and require an objective weighing of the strength of the accused inducer’s infringement and validity defenses.

Key Takeaways

- Although a broad inducement doctrine is a useful deterrent against those who would profit from the infringement of others, it is also potentially subject to abuse. There is no statutory limit on the potential types of inducing activities and no restriction on the degree to which those activities must facilitate infringement to be actionable.
- Because the inducement statute is so broad, a meaningful intent requirement is vital in striking the proper balance between upholding the rights of patent holders and protecting defendants from pretextual claims of inducement.
- Although the Supreme Court clearly indicated in *Grokster* that the proper standard is “purposeful, culpable expression and conduct,” which is consistent with specific intent, the Federal Circuit’s subsequent *en banc* decision in *DSU* confused and equated specific intent to induce infringement with a negligence-type “should have known” standard.
- Post-*DSU* cases have continued this confusion over the intent standard, which makes it difficult to advise clients what the law requires. This confusion was deepened by the recent Federal Circuit decision in *Global-Tech*, which conflated specific intent to induce infringement with mere “deliberate indifference” to a risk of inducing infringement.
- Unless reversed by the Supreme Court, *Global-Tech* threatens to tip the balance in inducement cases sharply and unfairly toward patent holders. Practitioners who advise clients who supply components for devices potentially subject to infringement allegations, as well as those who advise patent holders, should pay particularly close attention to the Supreme Court’s ultimate decision in *Global-Tech*.
- Based on the principles in *Grokster*, specific intent is the proper standard for inducement of patent infringement. To be meaningful, that standard should require three types of knowledge: (1) the inducer must know of the patent; (2) the inducer must know that the patent is being infringed; and (3) the inducer must know its actions are aiding infringement of the patent. The inducer must also intentionally take affirmative steps to aid or encourage

infringing (as opposed to non-infringing) activities, and it must take those steps believing that the facilitated acts constitute infringement. Practitioners should pay close attention to whether and how clearly the Supreme Court articulates those elements in *Global-Tech* and how the Federal Circuit addresses each of those elements in subsequent cases.

- Even a strict intent standard will prove ineffective at protecting defendants from opportunistic and unfair inducement suits unless the Federal Circuit clarifies the law concerning circumstantial evidence of intent. At present, it is too easy for patent holders to rely on “hindsight intent”—characterizing ambiguous activities such as selling products or working with customers as compelling evidence of prior intent to induce infringement when those activities are equally consistent with an alleged infringer’s prior good-faith belief that it had reasonable infringement or invalidity defenses. Given the complexity and indeterminacy of many patent law issues, such a rule is unfair to accused inducers.
- This chapter suggests that problem of “hindsight intent” and ambiguous circumstantial evidence would be mitigated if the Federal Circuit were to require objective consideration of the strength of the accused infringer’s infringement and invalidity case, as the court currently requires in the determination of whether direct infringement is willful.

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TOP ATTORNEYS DISCUSS NEW DEVELOPMENTS IN PATENT LITIGATION

Recent Trends in Patent Infringement Lawsuits is an authoritative, insider's perspective on the latest developments taking place in patent infringement litigation. Featuring partners and chairs from leading law firms across the nation, these experts guide the reader through today's legal environment, offering insights on the new standards for obviousness and prior art as well as the new rules governing areas such as false marking and business method patents. These top lawyers demonstrate the importance of keeping up with legal trends, knowing the economic and legislative climate, and being aware of potential issues in a case or claim. Additionally, the authors discuss recent cases and laws relevant to patent infringement, such as *Pequignot v. Solo Cup*, *Stauffer v. Brooks Brothers*, and the Patent Reform Act of 2010. The different niches represented and the breadth of perspectives presented enable readers to get inside some of the great legal minds of today, as these experienced lawyers offer up their thoughts around the keys to success within this complex area of law.

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